

**BEFORE THE
DEPARTMENT OF TRANSPORTATION
WASHINGTON, D.C.**

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)	
In the matter of)	
)	Docket Nos. OST-97-2881
COMPUTER RESERVATIONS)	OST-97-3014
SYSTEM (CRS) REGULATIONS)	OST-98-4775
)	OST-99-5888
14 CFR Part 255)	
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COMMENTS OF LUFTHANSA SYSTEMS PASSENGER SERVICES GMBH

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March 14, 2003

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Lufthansa Systems Passenger Services GmbH (“Lufthansa Systems”) submits these comments to the United States Department of Transportation (“DOT”) in response to DOT’s Notice of Proposed Rulemaking (“NPRM”) relating to its Computer Reservations System (“CRS”) Rules, 67 Fed. Reg. 69366 (Nov. 15, 2002), in the above-referenced dockets. Lufthansa Systems, a wholly owned subsidiary of Deutsche Lufthansa AG, provides information technology (“IT”) solutions to the airline and aviation industry. Among the IT services offered by Lufthansa Systems is the processing and analysis of marketing information data tapes (“MIDT”).

In its NPRM (at 69404), DOT proposed, among other things, the following three restrictions on airline access to MIDT:

- “A ban on the release of data on bookings made by individual travel agencies” (*i.e.*, masking agency level data);
- “A ban on the release of data on bookings for airlines that have not consented to the release of data on their bookings” (*i.e.*, allowing airline opt-out); and

- “[A] bar[] [on] the release of data until some period of time had elapsed after the booking, so that no airline could immediately learn from the data how many bookings on its competitors were being made by each travel agency” (*i.e.*, delaying data release).

Lufthansa Systems respectfully urges DOT not to adopt any of these restrictions on airline access to MIDT. By providing detailed and prompt information on consumer preferences and purchasing patterns, MIDT allows airlines and other market players to shape their services, compensation levels, and prices on the basis of market forces. MIDT thus not only enables these entities to operate more efficiently and reduce costs, but also to judge their customers’ needs more accurately and satisfy them more effectively. Ultimately, the consumer profits from the increased competition that comes from the ability of airlines and other entities to compete aggressively on the basis of market information gleaned from MIDT.

Lufthansa Systems agrees, however, with DOT’s observation that, although Section 255.10 currently requires that each CRS make MIDT available to all participating airlines on nondiscriminatory terms, smaller airlines are disadvantaged as a result of high MIDT prices. As DOT has remarked, not all parties that are interested in MIDT — and whose businesses can profit from the information — can afford access to MIDT. Indeed, Galileo reports that less than 50 airlines out of a much bigger number of players in the market currently purchase such services from it. Some travel agencies have even objected to high MIDT prices, and the disparate ability of larger airlines to afford MIDT data.

Lufthansa Systems submits that, contrary to the position stated in DOT’s NPRM, competition is not harmed by MIDT data itself, but rather is harmed by the unequal ability of market participants to obtain access to MIDT data. Accordingly, Lufthansa Systems opposes the restrictions proposed in the NPRM, and advocates instead that the CRSs be encouraged to offer data in ways — for example, in a range of smaller, more affordable packages — that will allow

MIDT to be a flexible and valuable instrument to large and small airlines alike for identifying and serving customer needs.

The access restrictions proposed by DOT in the NPRM will do nothing to strengthen the position of smaller market players. Indeed, by undermining the value of MIDT to all airlines, DOT's proposals would exacerbate the competitive imbalance between large and small airlines:

- Large airlines will undoubtedly find a way to purchase similar data sets elsewhere for a higher price — and they will be more likely to be able to afford it; and
- The price for “MIDT-like” data collections will rise while the quality of that data will go down.

In the end, it is the consumer who will suffer the negative consequences of any restriction on access to MIDT data. Customers will ultimately bear the airlines' increased cost of obtaining competitive market information, or will feel the effects of increased competitive disparity between large and small airlines.

For these reasons, Lufthansa Systems recommends that the MIDT restrictions proposed in the NPRM not be implemented. Instead, DOT should foster increased and fair access to MIDT data. Certain CRSs took an important first step in that direction by developing “regional MIDT,” but others will have to follow. Any rule adopted by DOT should be designed to encourage the CRSs to develop business models that will give all market players, airline or agency, comparable quality of access to MIDT.

Respectfully submitted,

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Dated: March 14, 2003